



April 14, 2008

To: Coyote Valley Specific Plan Task Force

From: Coyote Housing Group LLC (“CHG”)

Re: The future of Coyote Valley

Cc: San Jose City Council

The Coyote Housing Group would like to thank the members of the Coyote Valley Specific Plan Task Force for all of their hard work and dedication over the past five years. The Task Force has spent untold hours crafting a bold and innovative plan for the Coyote Valley that would have established San Jose as a national leader in the arena of sustainable land use planning.

CHG has been dedicated to the fulfillment of San Jose’s vision for Coyote Valley since it was approved unanimously by the City Council in 2002. Toward that end, CHG voluntarily agreed to spend more than \$17 million to complete a comprehensive Specific Plan for the entire Coyote Valley. Unfortunately, after five years of repeated planning delays and escalating costs, changes in San Jose’s land use policies towards jobs and housing, as well as deepening concerns regarding the financial feasibility and implementation of the plan, CHG came to the conclusion that it could not continue funding the plan in its current direction.

North Coyote entitlements not adequately addressed in CVSP planning

The downturn in the industrial market in 2002 gave San Jose a window of opportunity to work with industrial property owners in North Coyote Valley to “reshape” the City’s approved entitlements there (over 6 million square feet of low density campus industrial buildings) into a more compact, mixed use, environmentally responsible plan for the whole valley. No doubt property owners in the North came to the table in good faith to work with the City, other property owners, and the community, with the understanding that the Task Force would complete its work within two or three years.

Unfortunately, continued delays and problems with the environmental impact report placed a heavy drag on the process. Moreover, North Coyote property owners – as well

as CHG - were surprised when the City's Draft EIR did not provide a "Plan B alternative," which would have enabled implementation of the plan if North Coyote property owners chose not to commit to the CVSP and instead chose to develop under their existing zoning. This singular omission resulted in uncertainty in the plan's ability to be implemented without major changes in the future, as well as unacceptable delays in the completion of the EIR and cost increases that CHG could not reasonably be expected to bear.

A new reality

Today, nearly six years since the CVSP was initiated by the Council, the industrial market is beginning to rebound just as the residential market is faltering. With valuable entitlements in hand and millions of dollars invested in infrastructure, North Coyote property owners can't realistically be expected to wait for an uncertain plan that is years away from completion. Moreover, San Jose's new policy directive discouraging industrial conversions to housing, and the reaffirmation of the mandate that jobs precede housing – make it impossible to achieve the CVSP Vision and Expected Outcomes originally embraced by the Council in 2002.

The new reality that planners must recognize is that the opportunity to substantially remake entitlements in North Coyote Valley has passed (other than, perhaps, allowing higher FAR's). Future planning efforts will need to recognize that North Coyote is essentially done; industrial zoning entitlements there are mostly vested under existing development agreements.

North Coyote offers premiere site for jobs

The good news is that the City has valuable industrial entitlements in North Coyote that should be highly attractive to growing companies as the market strengthens. Major employers including IBM, Cisco and Xilinx already own property there. The City should continue to support and market the unique opportunities that North Coyote has to offer, as they are valuable assets in the overall strategy to bring more jobs to San Jose.

The refocus on nurturing industrial uses in North Coyote means that future planning in Mid-Coyote should be, of necessity, focused on providing a highly livable, residential community that serves (and helps attract) the knowledge-based jobs in the North. These residential neighborhoods can and should be planned based on many of the sustainable principles that the CVSP Task Force has developed to date.

Infrastructure costs of "new town" too burdensome for private development

The most ambitious goal that the City Council established for the Coyote vision was also its most challenging: the directive to plan for *a minimum* of 25,000 units and 50,000 jobs on just 3,500 acres – a virtual new town with an ultimate population of 70,000 people. The \$1.5 billion in infrastructure costs necessary to support a community of this size was staggering, and would have placed significant burdens on private development.

The plan's creative approach to the financing of infrastructure and community services would have ensured that the plan paid for itself and did not burden the City's General Fund. But the CVSP's unique, mixed-use design requires a mixed-use implementation. The Council's direction to require 5,000 jobs first, combined with exorbitant infrastructure costs, put this plan out of reach.

Lessons learned

CHG, like many of the city's forward-thinking residents, is deeply disappointed that we could not bring this plan to fruition. The Coyote Valley Specific Plan held great promise and San Jose has lost a prime opportunity to do something truly remarkable. More than once the City has equivocated or just plain failed to deliver as critical time ticked by, losing important economic development opportunities to shifting market forces. This pattern only reinforces the need to continue to plan responsibly and proactively for Coyote Valley's future if we hope to be ready when the next wave hits.

The harsh reality is that growth is coming to San Jose whether we want it or not. Over the next 30 years San Jose will add roughly 280,000 new jobs and more than 300,000 new residents and the city's population is expected to hit 1.4 million by 2035. Perhaps the most important lesson to be drawn from the City's past efforts in Coyote Valley is the need to interject a level of urgency and focus into the land use planning process.

As builders we understand the risks inherent in any planning process, especially when applied to an incredibly complex and ambitious effort like Coyote Valley. Certainly, there are no guarantees, nor should there be. Still, San Jose must find a way to show respect for the process and for all those who participate – including those choosing to invest their time and resources in the City – by bringing land use policy decisions to the Council in a timely manner. Faced with such massive uncertainty in time and costs, builders are less likely to embark on the types of truly innovative projects that will help San Jose become more than just a magnet for suburban sprawl.

Coyote Valley has promising future

The Task Force should be proud of its work despite the premature end to the planning process. Together, the Task Force and the community developed the elements of a comprehensive plan that can be used as the building blocks of continued planning efforts in Coyote Valley and elsewhere in the city. The key tenets of economic, social and environmental sustainability must remain a vital part of Coyote Valley's future. By focusing on these three elements, Coyote Valley can yet become one of the most highly desirable places for companies to locate in the region and a national model of sustainable living.

CHG would like to express our sincere thanks and admiration to everyone who had the vision to make a positive contribution to the plan for Coyote Valley.